

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Abraham M. Gellray</i>			Date	

**Township of Chester
Eaton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2004

Township of Chester
Eaton County, Michigan
March 31, 2004
BOARD OF TRUSTEES

Max Potter	Supervisor
Sheila Draper	Clerk
Carolyn Walker	Treasurer
H. Devere Cook	Trustee
Donald Stall	Trustee

Township of Chester
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Principals

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Chester
Charlotte, Michigan

We have audited the accompanying general purpose financial statements of the Township of Chester, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Chester, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Chester, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 16, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Township of Chester

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	Governmental Fund Type	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
	General	Trust And Agency	General Fixed Assets	
ASSETS				
Cash and cash equivalents	\$ 288,975	\$ -	\$ -	\$ 288,975
Investments	-	10,250	-	10,250
Receivables				
Accounts	500	-	-	500
Taxes	1,794	-	-	1,794
Prepaid expenditures	1,273	-	-	1,273
Fixed assets	-	-	217,302	217,302
TOTAL ASSETS	\$ 292,542	\$ 10,250	\$ 217,302	\$ 520,094
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 939	\$ -	\$ -	\$ 939
Accrued liabilities	3,277	-	-	3,277
TOTAL LIABILITIES	4,216	-0-	-0-	4,216
FUND EQUITY				
Investment in general fixed assets	-	-	217,302	217,302
Fund balances				
Reserved for				
Perpetual care	-	10,250	-	10,250
Prepaid expenditures	1,273	-	-	1,273
Unreserved - undesignated	287,053	-	-	287,053
TOTAL FUND EQUITY	288,326	10,250	217,302	515,878
TOTAL LIABILITIES AND FUND EQUITY	\$ 292,542	\$ 10,250	\$ 217,302	\$ 520,094

See accompanying notes to general purpose financial statements.

Township of Chester

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPE

Year Ended March 31, 2004

	<u>General</u>
REVENUES	
Taxes	\$ 39,467
Licenses and permits	120
Intergovernmental - State	123,726
Charges for services	11,750
Interest and rents	<u>3,094</u>
TOTAL REVENUES	178,157
EXPENDITURES	
General government	67,235
Public safety	36,574
Public works	18,004
Health and welfare	2,210
Community and economic development	120
Recreation and cultural	2,000
Other	<u>7,349</u>
TOTAL EXPENDITURES	<u>133,492</u>
EXCESS OF REVENUES OVER EXPENDITURES	44,665
Fund balance, beginning of year	<u>243,661</u>
Fund balance, end of year	<u><u>\$ 288,326</u></u>

See accompanying notes to general purpose financial statements.

Township of Chester

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

Year Ended March 31, 2004

	Budget	2004 Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 36,802	\$ 39,467	\$ 2,665
Licenses and permits	-	120	120
Intergovernmental - State	130,000	123,726	(6,274)
Charges for services	3,350	11,750	8,400
Interest and rents	4,550	3,094	(1,456)
TOTAL REVENUES	174,702	178,157	3,455
EXPENDITURES			
General government	88,972	67,235	21,737
Public safety	42,000	36,574	5,426
Public works	18,500	18,004	496
Health and welfare	2,210	2,210	-0-
Community and economic development	-	120	(120)
Recreation and cultural	2,000	2,000	-0-
Other	21,000	7,349	13,651
TOTAL EXPENDITURES	174,682	133,492	41,190
EXCESS OF REVENUES OVER EXPENDITURES	20	44,665	44,645
Fund balance, beginning of year	243,661	243,661	-0-
Fund balance, end of year	\$ 243,681	\$ 288,326	\$ 44,645

See accompanying notes to general purpose financial statements

Township of Chester

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - FIDUCIARY FUND TYPE

Year Ended March 31, 2004

	Nonexpendable Trust (Cemetery Perpetual Care)
OPERATING REVENUE	\$ -
OPERATING EXPENSES	-
OPERATING INCOME	-0-
NONOPERATING REVENUES	
Interest revenue	425
NET INCOME	425
Fund balance, beginning of year	9,825
Fund balance, end of year	\$ 10,250

See accompanying notes to general purpose financial statements.

Township of Chester
STATEMENT OF CASH FLOWS - FIDUCIARY FUND TYPE
Year Ended March 31, 2004

	Nonexpendable Trust (Cemetery Perpetual Care)
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	425
Purchase of investments	<hr/> (425)
NET CASH USED BY INVESTING ACTIVITIES	<hr/> -0-
NET INCREASE IN CASH DURING THE YEAR	-0-
Cash, beginning of year	<hr/> -
Cash, ending of year	<hr/> <hr/> \$ -0-

See accompanying notes to general purpose financial statements.

Township of Chester

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP

Chester Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Eaton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present all financial activities of the Township of Chester. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the general purpose financial statements of the Township of Chester contain all the funds and account groups controlled by the Township Board.

2. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND TYPE

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

FIDUCIARY FUND TYPES

- a. Agency Fund - (Current Tax Collections) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- b. Nonexpendable Trust Fund (Cemetery Perpetual Care) - The Trust Fund is used to account for assets held by the Township in a trustee capacity for individuals and other funds. The Cemetery Perpetual Care Fund is a nonexpendable trust fund and is accounted for essentially in the same manner as a proprietary fund.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recorded when due.

3. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The budget was not amended during the current year.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and money market accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days. Cash, cash equivalents, and investments are recorded at market value.

5. Property Tax

The Township of Chester bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service. For the year ended March 31, 2004, the Township levied .9194 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2003 levy for property within the Township was \$40,249,900.

6. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

7. Comparative Data

Comparative data has not been presented in the financial statements due to the Township's requirement to prepare audited financial statements only once every two years.

8. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Township of Chester

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents		
Checking accounts	\$ 80,847	\$ 88,413
Savings accounts	151,754	151,754
Money Market account	<u>56,374</u>	<u>56,374</u>
	288,975	296,541
Investments		
Certificates of deposit	<u>10,250</u>	<u>10,250</u>
	<u>\$ 299,225</u>	<u>\$ 306,791</u>

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were fully insured by the FDIC for \$306,791.

Township of Chester

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

NOTE D: GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance Apr. 1, 2003	Additions	Deletions	Balance Mar. 31, 2004
Township Hall	\$ 198,916	\$ 12,780	\$ -	\$ 211,696
Equipment	<u>5,606</u>	<u>-</u>	<u>-</u>	<u>5,606</u>
	<u>\$ 204,522</u>	<u>\$ 12,780</u>	<u>\$ -0-</u>	<u>\$ 217,302</u>

NOTE E: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township is exposed to various risks of loss for workers' compensation claims for which the Township carries commercial insurance.

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
General government			
Treasurer	\$ 10,000	\$ 11,599	\$ 1,599
Cemetery	8,300	12,751	4,451
Community and economic development			
Planning and zoning	-	120	120

Township of Chester

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE G: SUBSEQUENT EVENT

On June 22, 2004, the Township signed a local road project agreement with the Eaton County Road Commission. The contract calls for \$11,615 in roadwork to be performed on various roads that fall within the Township. The project costs will be paid from current operational funds of the Township upon completion of each individual road project.

NOTE H: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by the Township of Chester no later than the fiscal year ending March 31, 2006; the retroactive reporting of infrastructures, if any, is optional to be implemented no later than the year ending March 31, 2010.

SUPPLEMENTAL FINANCIAL INFORMATION

Township of Chester

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

Year Ended March 31, 2004

	Budget	2004 Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current tax levy	\$ 36,737	\$ 36,883	\$ 146
Administrative fees	65	2,584	2,519
Total taxes	36,802	39,467	2,665
Licenses and permits	-	120	120
Intergovernmental			
State revenue sharing			
Sales tax	130,000	123,726	(6,274)
Charges for services			
Fire runs	3,000	2,900	(100)
Cemetery lots	350	3,050	2,700
Grave openings	-	5,800	5,800
Total charges for services	3,350	11,750	8,400
Interest and rents			
Interest	4,500	2,814	(1,686)
Rents	50	280	230
Total interest and rents	4,550	3,094	(1,456)
TOTAL REVENUES	174,702	178,157	3,455
EXPENDITURES			
General government			
Board of Trustees			
Salaries	1,960	1,680	280
Supervisor			
Salaries	7,212	7,212	-0-
Clerk			
Salaries	8,000	7,800	200
Supplies	500	522	(22)
Printing	400	424	(24)
Total clerk	8,900	8,746	154
Board of review			
Salaries	1,100	903	197

Township of Chester

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED

Year Ended March 31, 2004

	Budget	2004 Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
General government - continued			
Treasurer			
Salaries	\$ 8,262	\$ 10,600	\$ (2,338)
Supplies	1,738	999	739
Total treasurer	10,000	11,599	(1,599)
Assessor			
Contracted service	9,400	7,900	1,500
Elections	800	-	800
Township hall			
Repairs and maintenance	1,800	1,661	139
Utilities	2,000	2,003	(3)
Capital outlays	37,500	12,780	24,720
Total township hall	41,300	16,444	24,856
Cemetery			
Salaries	6,000	5,100	900
Supplies	2,000	1,851	149
Contracted services	-	5,800	(5,800)
Capital outlay	300	-	300
Total cemetery	8,300	12,751	(4,451)
Total general government	88,972	67,235	21,737
Public safety			
Fire protection			
Contracted services	42,000	36,574	5,426
Public works			
Highways, streets, and bridges			
Repair and maintenance	18,000	17,870	130
Drains at large	500	134	366
Total public works	18,500	18,004	496
Health and welfare			
Ambulance	2,210	2,210	-0-

Township of Chester

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED

Year Ended March 31, 2004

	Budget	2004 Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Community and economic development			
Planning and zoning	\$ -	\$ 120	\$ (120)
Recreation and cultural			
Library grant	2,000	2,000	-0-
Other			
Social security	2,250	2,157	93
Dues	900	993	(93)
Insurance	4,500	4,049	451
Contingencies	12,850	-	12,850
Other	500	150	350
Total other	21,000	7,349	13,651
TOTAL EXPENDITURES	174,682	133,492	41,190
EXCESS OF REVENUES OVER EXPENDITURES	20	44,665	44,645
Fund balance, beginning of year	243,661	243,661	-0-
Fund balance, end of year	\$ 243,681	\$ 288,326	\$ 44,645

Township of Chester

Trust and Agency Funds

COMBINING BALANCE SHEET

March 31, 2004

	Nonexpendable Trust Fund Cemetery Perpetual Care	Agency Fund Current Tax Collections	Total
ASSETS			
Investments	\$ 10,250	\$ -0-	\$ 10,250
LIABILITIES AND FUND BALANCE			
LIABILITIES	\$ -	\$ -	\$ -0-
FUND BALANCE			
Reserved for perpetual care	10,250	-	10,250
TOTAL LIABILITIES AND FUND BALANCE	\$ 10,250	\$ -0-	\$ 10,250

Township of Chester

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

Current Tax Collections Fund

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
ASSETS				
Cash	\$ -0-	\$ 972,974	\$ 972,974	\$ -0-
LIABILITIES				
Due to General Fund	\$ -	\$ 35,321	\$ 35,321	\$ -0-
Due to other governmental units				
County				
SET	-	195,640	195,640	-0-
Other	-	283,641	283,641	-0-
Schools	-	452,497	452,497	-0-
Due to individuals and agencies	-	5,875	5,875	-0-
TOTAL LIABILITIES	\$ -0-	\$ 972,974	\$ 972,974	\$ -0-

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

To the Members of the Township Board
Township of Chester
Charlotte, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Chester, Michigan for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. Supporting documentation should be retained for all disbursements.

During the course of our audit, we noted disbursements for grave openings and closings were not supported by documentation, such as invoices from vendors. We also noted that these disbursements were not presented to the Township Board for approval.

We suggest the Township obtain supporting documentation for all disbursements and assure that all expenditures are presented to the Township Board for approval. Such supporting documentation and approval will strengthen and improve internal control related to the disbursements process.

2. Budgets should be monitored and amended when necessary.

As noted in Note F of the financial statements, several functional classifications exceeded the amounts appropriated in the General Fund for the year ended March 31, 2004. The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for the General Fund, and shall not incur expenditures in excess of the amount appropriated.

We recommend the Township periodically monitor the adopted budget for the General Fund and amend the budget as necessary throughout the year to alleviate unfavorable budget variances.

3. The Township should prepare for the implementation of GASB Statement No. 34.

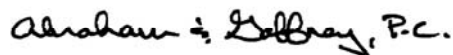
During our analysis of general fixed assets activity for the year and through discussions with management related to general fixed assets, we noted that historically the previous auditor updated the amount recorded in the General Fixed Asset Account Group on a year-to-year basis. A detailed record of general fixed asset balances by governmental function has not been maintained by the Township.

The Township is required to implement GASB Statement No. 34 no later than fiscal year ending March 31, 2006, which will require government-wide financial statements prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, capital assets are depreciated over their estimated useful lives. To the extent possible, the depreciation expense should be allocated to the appropriate function of the government.

We suggest the Township Board formally adopt a capital assets policy that addresses the dollar threshold for which assets will be capitalized as well as the appropriate procedures for the retirement of capital assets, whether sold or disposed. We also suggest the Township inventory their capital assets, determine historical cost or estimated historical cost, and estimated useful lives of those capital assets. Such information should then be used to calculate accumulated depreciation for the capital assets through March 31, 2005. Compiling this data related to the Township's capital assets will not only facilitate the implementation of GASB Statement No. 34, it will also increase your internal control over capital assets and lessen the risk of misappropriation of assets.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated July 16, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Chester, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 16, 2004